

## **RFP Sub-Servicing of Single Family Mortgage Loan Portfolio Questions and Responses**

**ALL BIDS WILL REMAIN SEALED UNTIL MONDAY, JUNE 20, 2011**

1. Regarding the RFP page 3, Required Approvals, “In addition, the contractor must have one or more FHA Direct Endorsement underwriters on staff and one or more VA Automatic underwriters on staff”, is this requirement in place to address assumptions, and how many assumptions occurred in the last calendar year?

*Yes, this is for assumptions, although we did not have any assumptions occur over the past year.*

2. Regarding Exhibit A, page A-1, “The Authority expects to award one or more contracts for the sub-servicing of its loans”, if more than one firm is selected, is there a plan in how the business will be divided (Example: ½ of the portfolio to each firm)?

*The Authority expects to make a reasonable effort to allocate the portfolio as equally as possible based upon the structures of the approved proposals.*

3. Regarding Exhibit A, page A-4, last bullet, “Provide new loan set-up guide and conduct periodic training regarding new loan set up for lenders”, can the Authority provide an estimate as to how frequently the training will occur?

*The training for new lenders is currently being provided online in an electronic format on an as needed basis.*

4. How many investors/lenders are included in the Authority’s portfolio?

*The Authority is the only investor; however, we have 36 lenders who have originated 770 loans based on the 2010 figures. Please refer to the chart below for a breakdown by lender.*

5. Regarding # 5 on the attachment: Can you please provide a copy of a mortgage note? This is the agreement that the borrower signs, promising to repay the loan.

*The DPA, ADR-DPA and Conventional Step Note are attached for review. For all other loans the Authority currently uses the Fannie Mae Note 3200 form.*

6. How many borrowers make their payment via ACH?

*The current sub-servicer reported 1,515 accounts are on drafting.*

7. Are all property taxes paid current on these loans? Are there tax service contracts in place? If so, who is the tax service vendor?

*Yes, all property taxes are current on these loans. Yes, there is a tax service contract in place with CoreLogic.*

8. When was the last escrow analysis completed?

*The last escrow analysis was completed in January 2011, with an effective date of April 2011.*

9. Is the payment activity currently being reported to the credit bureaus?

*Yes, the sub-servicer reports payment activity to the credit bureaus.*

10. Please provide a report listing of all the escrow balances, both positive and negative, for all loans in the portfolio.

*This information will be provided to the selected sub-servicer of the single family mortgage portfolio. Escrow balances are currently in the name of the Authority.*

11. Please provide a report showing next installment due date and amount for taxes, insurance premiums, and any other impounds.

*Loan level details will be provided when the sub-servicer contract is awarded.*

12. Please provide a breakdown of the portfolio by insurer/guarantor.

*Please refer to the worksheet below.*

13. Are there currently any “other” specific challenges that the Authority is experiencing with the management of the portfolio that you would like to see handled differently?

*The greatest challenge we have experienced is the rate of delinquency based on the current economic environment.*

14. How much does the Authority currently pay for loan servicing?

A. Monthly service fee per loan?

B. Total monthly average of fees for the entire portfolio?

C. Total service fees for the entire portfolio in the past 12 months?

*This question does not concern the RFP, but rather an existing contract, and therefore it is not appropriate to answer in this context.*

15. Please clarify the staffing required and duties to be performed at the subcontractor’s office(s) located in Michigan.

*The contractor will need to have live, on-site staff available at the Michigan location(s) for the purposes of, but not limited to, accepting mortgage payments, discussing with mortgagors their questions and concerns regarding their loan and assisting the Authority, lenders and other applicable parties in all acquisition and servicing issues.*

*For the Michigan office(s), all prospective Contractor(s) should include in their proposal a description of the services to be available, the level and type of staffing and the number and location of the office(s).*

16. Please clarify the servicing requirements for the DPA, HELP and Step loans.

*Please refer to sections 2.6 and 2.7 of the Single Family Mortgage Servicing Manual located both on the Bid4Michigan website [www.bid4michigan.com](http://www.bid4michigan.com) and the Authority’s home page at [www.michigan.gov/mshda](http://www.michigan.gov/mshda).*

17. Please provide details of any specialized collection schedules for calling, borrower outreach, face-to-face contact, special mailings, etc.

*The collection schedules are based on the mortgage insurer guidelines. If not insured, please follow the FHA guidelines. Special mailings have historically consisted of a single 8 ½” x 11” flyer, distributed once annually.*

18. If the portfolio is divided among more than one sub-servicer, would there be a minimum volume allocated to each sub-servicer?

*See response to question number 2 above.*

19. Please confirm the expected volume of new “flow” loans to be delivered monthly.

*We have 36 lenders who have originated 770 loans based on the 2010 figures. Please refer to the chart below for the breakdown.*

20. Please confirm if new loans will be delivered to the sub-servicer by each of the originating lenders or all by MSHDA. The RFP mentions that the Authority will send the new loan interface files through the secure FTP site.

*All new loans are submitted to the Authority, for scanning. The Authority then forwards the loan packages to the sub-servicer.*

21. Please clarify the requirement for the sub-servicer to have separate subservicing agreements with each participating lender. Is there any need for subservicing loans prior to their purchase by MSHDA?

*The Sub-servicer does not service any portion of the loan until the loan has been purchased by the Authority.*

22. Please clarify the requirement for the sub-servicer to have FHA and VA underwriters on staff.

*See response to question number 1 above.*

23. Please confirm the practice and timing for escrow advances to be refunded by the authority to the sub-servicer.

*The Contractor will issue a statement requesting reimbursement for net escrow advances as part of its monthly billing process.*

24. Please clarify the requirement for the escrow reimbursement to be included in the overall subservicing fee.

*See response to question number 23 above.*

25. Please clarify the requirement for the sub-servicer to document their FTE staffing levels to be assigned to MSHDA (page 6).

*All required documentation is described on page 6 of the Request For Proposal.*

26. Please confirm the expected volume, frequency and weight of monthly statement inserts.

*See response to question number 17 above.*

27. Please provide the average number of assumptions per month.

*See response to question number 1 above.*

28. The RFP requires the sub-servicer to disclose all subcontractors and their fees. Are the subcontractors' fees required to be disclosed if these fees are not passed through to MSHDA?

*No, only fees passed on to the Authority are to be disclosed. Additionally, any fees projected to pass through to the mortgagor must be disclosed as well.*

29. Please clarify the requirements for handling REO. REO was referred to in the proposal requirements but not in the Statement of Work (Exhibit A). Please also provide the current number of REO.

*The Contractor will be responsible for REO servicing through disposition and conclusion of claims. The number of REOs as of March 31, 2011 was 874.*

30. Please clarify that all percentage bidders must accept the lowest percentage bid. Please confirm that no percentage pricing would apply to any sub-servicer who submitted a non-percentage bid (i.e. flat dollar fee per loan per month) regardless of any other percentage bidders that may be selected.

*This information is correct. Bidders must accept the lowest percentage bid unless they chose to submit a non-percentage bid (flat dollar fee per loan per month). Both methods of billing may be concurrently used for separate sub-servicers.*

31. Do the loans have tax service contracts in place? If so, who are the existing Tax Service vendors? Are the contracts transferable?

*See response for question number 7 above. All contracts are transferable.*

32. Who will be responsible for penalties as a result of prior servicer errors such as FHA missed first legal deadlines, missed MI claims processing, etc.

*While the Authority's contracts with its servicers or sub-servicers have not generally provided a "hold harmless" provision for new contractors in relation to actions that a prior servicer has taken or failed to take, that has been the Authority's practice. To the extent that a loss is attributable to the actions of a prior servicer, the Authority will look to that prior servicer for reimbursement. It may be the case, however, that a new servicer's actions contribute to a loss that had as an original cause the negligence of the earlier servicer. In such cases, the Authority will seek to apportion the loss equitably.*

33. Who is the existing document custodian and will they continue?

*The Authority serves as the custodian and will continue. The files are scanned and available upon request.*

34. What is the portfolio breakdown as to numbers of FHA, VA, RD & Mortgage insured conventional loans?

*Please refer to the worksheet below.*

35. How many total loans are currently under bankruptcy protection?

*The fee example contained in Exhibit B reflects our current loan status.*

36. Will loans now in active foreclosure be transferred?

*The sub-servicer will accept all loans in foreclosure regardless of the state. If loans in the foreclosure process are not transferred in a timely manner, the Contractor will not be responsible for losses associated with the failure to meet the insurer's filing deadlines.*

37. Please clarify the administration & marketing processes the sub-servicer will be responsible for on REO properties?

*See response to question 29 above.*

38. The RFP stipulates that late charges collected are to be passed through to the Authority. How often are remittances to be sent? Can the sub-servicer waive late charges when deemed appropriate?

*Late charges are to be remitted within 2 business days of receipt. The Contractor must contact the Authority for authorization to waive any late charges. The Authority will evaluate the facts and circumstances on a case-by-case basis.*

39. Will the sub-servicer receive the loan and insurance policy files in hard copy, microfiche or scanned documents?

*The loan set-up file with associated documents will be provided in an electronic file. The originals will remain with the Authority.*

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

2010 PURCHASES

<u>ORIGINATOR</u>	<u># OF LOANS</u>
AMERA MORTGAGE CORP	217
AMERIFIRST FINANCIAL CO	6
BANCORP MORTGAGE CORP	4
BANK OF AMERICA	26
BANK OF NORTHERN MI	1
CHEMICAL BANK	15
COMMERCIAL BANK	7
COMMUNITY CENTRAL MORTGAGE	3
DORT FEDERAL CREDIT UNION	13
FARMERS STATE BANK OF MICHIGAN	1
FIFTH THIRD MORTGAGE CO	86
FIRST BANK OF ALMA MORTGAGE	1
FIRST BANK, UPPER MICH	1
FIRST PLACE BANK	18
FIRST STATE BANK MORTGAGE	3
FLAGSTAR BANK	9
FOUNDERS BANK & TRUST	7
HUNTINGTON NATIONAL BANK	1
INDEPENDENT BANK CORP	59
JOHN ADAMS MORTGAGE CO	154
LAKE MICHIGAN CREDIT UNION	1
MAINSTREET SAVINGS BANK	6
MEMBER FIRST MORTGAGE	7
MORTGAGE 1 INC	9
MSU FEDERAL CREDIT UNION	2
PARAMOUNT BANK	27
PEOPLES STATE BANK	1
ROSS MORTGAGE CORP	63
SUMMIT COMMUNITY BANK	3
TOWNE MORTGAGE COMPANY	5
TRAVERSE CITY STATE BANK	3
UNITED BANK & TRUST	7
US BANK	2
WELLS FARGO BANK	1
WEST SHORE BANK	1
TOTAL LOANS PURCHASED 2010	770

**MSHDA LOANS BY INSURANCE PROVIDER**

**March 31, 2011**

<b>Insurance Provider</b>	<b># of Loans</b>
FHA	6,929
VA	199
Self Insured	37
RECD	1,615
Uninsured	973
Triad Guaranty	4
Radian	40
Genworth/GE	444
MGIC	2,320
PMI	305
AIG/UG	100
CMG	34
Miscellaneous*	24
 Total	 13,024**

\*Ticor, Foremost, Remic, Verex, Guaranty Fund

\*\*13,024 Figure does not include loans and foreclosures.

**HOMEBUYER ASSISTANCE PROGRAM  
 10 YEAR FORGIVABLE MORTGAGE NOTE – PRORATED MONTHLY**

**[Grant Number, e.g. M-2005-9999-NPP]**

\$(fillable field - amount)

Lansing, MI

FOR VALUE RECEIVED, [borrower name], [marital status] (the "Borrower") promises to pay to the MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY, a public body, corporate and politic of the State of Michigan (the "Authority") or order, the principal sum of [amount spelled out] Dollars (\$[numeric amount]), bearing no interest and subject to the following conditions:

- (A) If Borrower's interest in the property described in Exhibit A, which is incorporated by reference herein (the "Property"), is ever sold, transferred, or otherwise conveyed, voluntarily or involuntarily, through foreclosure or otherwise, the Property ceases for any other reason to be the Borrower's principal place of residence, or if the Borrower defaults in the terms or payment of any other lien now existing against the Property, the lesser of the entire principal balance of this Mortgage Note due at the time of the sale, transfer or conveyance, or the net proceeds shall be due and payable. For the purposes of this Note, net proceeds shall mean, the sales price of the property described in the attached Exhibit A minus ordinary closing costs and any repayment of a senior loan(s).
  
- (B) The entire sum secured by this lien, without interest, shall be due in full as described in (A), above, subject to a reduction in the outstanding principal balance due and owing of 1/120<sup>th</sup> the amount of the original principal balance of this Mortgage Note for each full month of the Borrower's ownership and occupancy of the Property, commencing from the date of this agreement.

Any required repayment of principal shall be made in full to the Authority not later than the 30th day following the sale, transfer, or other conveyance, or later as the Authority, in its sole discretion, may designate.

If default is made in any payment due under this Mortgage Note, the entire principal sum due under this Mortgage Note shall at once become due and payable, upon notice from and at the option of the Authority.

Any payments required under this Note shall be payable at the offices of the Authority at 735 E. Michigan Avenue, Lansing, Michigan 48912, or at any address designated in writing by an Authorized Officer of the Authority or any holder of this Note.

Presentment, notice of dishonor, and protest are hereby waived by the Mortgagor. Unless prohibited by law, the Mortgagor agrees to pay all costs of collection, including reasonable attorney's fees and legal expenses, incurred by any holder hereof in the event this Note is not duly paid according to its terms.

This Note is described by and secured by a Mortgage given to the Borrower from the Authority dated [fillable - month day], [fillable - year].

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

By: \_\_\_\_\_  
[borrower name]

By: \_\_\_\_\_  
[co-borrower name]

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

Homeownership  
735 E. Michigan Avenue  
Lansing, MI 48912

**CONVENTIONAL STEP NOTE  
MORTGAGE NOTE**

, Michigan  
[Date]  
[Property address]

FOR VALUE RECEIVED, the undersigned promise to pay to  
or order, the principal sum of  
Dollars (\$ )

with interest thereon from the date hereof through thirty-six months from the First Scheduled Payment,  
computed on the unpaid balance of the principal sum at the rate of percent ( %) per annum, and,  
beginning thirty-six months from the First Scheduled Payment until paid, at the rate of percent ( %) per  
annum.

Commencing on the first day of, (the First Scheduled Payment), installments of principal and interest shall  
be paid in the amount of

Dollars ( \$ ) each, such payment including interest as indicated above, and such payment to continue  
monthly thereafter on the first day of each succeeding month for thirty-six months. Commencing on the  
first day of , installments of principal and interest shall be paid in the amount of

Dollars ( \$ ) each, such payment including interest as indicated above, and such payment to continue  
monthly thereafter on the first day of each succeeding month until the entire indebtedness has been paid.  
In any event, the balance of the principal (if any) remaining unpaid, plus accrued interest shall be due and  
payable on the first day of , .

The installments of the principal and interest shall be applied first to interest upon the then unpaid  
principal balance at the aforesaid rate, and the balance thereof shall be applied to principal. In the event  
that any installment hereunder shall become delinquent for more than fifteen (15) days, there shall be due  
in addition to any other sums due hereunder, a late fee of five percent (5%).

If any monthly installment under this Note is not paid when due and remains unpaid after a date specified  
by a notice sent by certified mail to the undersigned at the address stated above, which date shall be not less  
than thirty (30) days from the date such notice is mailed, the entire principal amount outstanding hereunder and  
accrued interest thereon shall at once become due and payable at the option of the holder hereof. Failure to  
exercise such option shall not constitute a waiver of the right to exercise such option if the undersigned is in  
default hereunder. In the event of any default in the payment of this Note and if suit is brought hereon, the  
holder hereof shall be entitled to collect in such proceeding all reasonable costs and expenses of suit, including,  
but not limited to, reasonable attorneys' fees.

Both principal and interest shall be payable at the office of or such other place as the holder may designate in  
writing.

The undersigned shall have the right to prepay the principal amount outstanding in whole or in part;  
however, a one percent (1%) prepayment penalty shall be assessed to the undersigned on the principal  
amount prepaid within three (3) years from the date hereof. Any partial prepayment shall be applied  
against the principal amount outstanding and shall not extend or postpone the due date or any  
subsequent monthly installments or change the amount of such installments, unless the holder hereof  
shall otherwise agree in writing. Presentment, notice of dishonor, and protest are hereby waived by all  
makers, sureties, guarantors and endorsers hereof. This Note shall be the joint and several obligation of  
all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, personal  
representatives, successors, and assigns.

The indebtedness evidenced by this Note is secured by a Mortgage, dated of even date herewith, and  
reference is made thereto as to the prohibition of transferring the property under certain conditions and for  
rights as to acceleration of the indebtedness evidenced by this Note.

Borrower Borrower

Borrower Borrower

Homeownership  
735 E. Michigan Avenue  
Lansing, MI 48912

DOWN PAYMENT ASSISTANCE  
MORTGAGE NOTE

\$ [Redacted]

[Redacted], Michigan

[Redacted] [Date]

[Redacted] [Property Address]

FOR VALUE RECEIVED,

[Redacted]

(herein referred to as the Mortgagor), promises to pay Michigan State Housing Development Authority (MSHDA), a public body, corporate and politic (herein referred to as the Mortgagee), whose address is 735 E. Michigan Avenue, Lansing, Michigan 48912, or order, the principal sum of

[Redacted]  
Dollars (\$ [Redacted] ) bearing no interest.

Mortgagor agrees that if it sells or transfers any interest in the property for which this mortgage is given or repays any senior loan or loans in full within 30 years from the date of execution of this Note, Mortgagor will pay the sum of

[Redacted]  
Dollars (\$ [Redacted] ) or an amount equal to the net proceeds of the sale, whichever is less. For purposes of this Note, the net proceeds of a sale shall mean the sales price of the aforementioned property minus ordinary closing costs and any repayment of a senior loan or loans.

The undersigned shall have the right to prepay the principal amount outstanding in whole or in part. Any partial prepayment shall be applied against the principal amount outstanding and shall not extend or postpone the due date of any subsequent payments unless the holder hereof shall otherwise agree in writing. After 30 years from date of execution of this Note, the entire outstanding principal balance of this Note shall be due and payable.

Principal shall be payable at MSHDA, P.O. Box 30044, Lansing, Michigan 48909 or such other place as an Authorized Officer of the Mortgagee or holder of this Note may designate in writing.

In the event of default in the payment of this Mortgage Note, and if the same is collected by an attorney at law, the undersigned hereby agree(s) to pay all cost of collection, including a reasonable attorney's fee.

All parties to this Mortgage Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor and consent to any number of renewals or extensions of the time of payment thereof. Any such renewals or extensions may be made without notice of any of said parties and without affecting their liability.

This Note shall be the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, personal representatives, successors, and assigns.

Any notice to Mortgagor provided for in this Note shall be given by mailing such notice by regular or certified mail addressed to Mortgagor at the Property Address stated above, or to such other address as Mortgagor may designate by notice to the Note holder. Any notice to the Note holder shall be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Borrower.

This is the Mortgage Note described in and secured by a Mortgage of even date in the same principal amount as herein stated.

\_\_\_\_\_  
Mortgagor

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Mortgagor

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Mortgagor

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Mortgagor